

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM, LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

Dion W. Hayes (VSB No. 34304)
Douglas M. Foley (VSB No. 34364)
MCGUIREWOODS LLP
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

- and -

Chris L. Dickerson, Esq.
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM, LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Proposed Counsel to the Debtors
and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

----- x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
: Hrg. Date: December 5, 2008
: at 10:00 a.m. (ET)
----- x Obj. Due: December 3, 2008 at
4:00 p.m. (ET)

DEBTORS' APPLICATION FOR ORDER UNDER BANKRUPTCY CODE
SECTIONS 105(a), 327(a), 328 AND 1107 AND BANKRUPTCY
RULE 2014(a), AUTHORIZING THE EMPLOYMENT AND RETENTION
OF ROTHSCHILD INC. AS INVESTMENT BANKER AND FINANCIAL
ADVISOR TO THE DEBTORS EFFECTIVE AS OF THE PETITION DATE

The debtors and debtors in possession in the

above-captioned cases (collectively, the "Debtors"),¹ seek entry of an order in substantially the form attached hereto, under sections 105(a), 327(a), 328 and 1107 of title 11 of the United States Code (the "Bankruptcy Code"), as supplemented by Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Eastern District of Virginia (the "Local Rules"), authorizing the employment and retention of Rothschild Inc. ("Rothschild"), as investment banker and financial advisor to the Debtors effective as of the Petition Date (as defined herein). In support of the Application, the Debtors rely upon the Affidavit of Neil Augustine, sworn to on November 14, 2008 (the "Augustine

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

Affidavit"), a copy of which is attached hereto as Exhibit A. In further support of this Application, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The bases for the relief requested herein are Bankruptcy Code sections 105(a), 327(a) and 328(a), as supplemented by Bankruptcy Rule 2014 and Local Rule 2014-1.

BACKGROUND

3. On November 10, 2008 (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code.

4. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

5. On November 12, 2008, the Office of the United States Trustee for the Eastern District of

Virginia (the "United States Trustee") appointed a statutory committee of unsecured creditors (the "Creditors' Committee"). To date, no trustee or examiner has been appointed in these chapter 11 cases.

6. Based in Richmond, Virginia, Circuit City is a leading specialty retailer of consumer electronics and operates large nationwide electronics stores throughout the United States and Puerto Rico that sell, among other things, televisions, home theatre systems, computers, camcorders, furniture, software, imaging and telecommunications products, and other audio and video electronics.

7. Despite significant revenues, the Debtors have suffered two consecutive years of losses. While the Debtors made every effort to improve their financial performance and implement a global turnaround strategy, they were ultimately unable to consummate a successful restructuring outside of bankruptcy. In large part, the Debtors' chapter 11 filings were due to an erosion of vendor confidence, decreased liquidity and the global economic crisis.

8. Thus, the Debtors have commenced these cases with the immediate goals of obtaining adequate postpetition financing and continuing their restructuring initiatives commenced before the filing of these cases, including closing 154 stores. In addition, the Debtors will continue to work closely with their vendors and enhance customer relations with a goal of emerging from chapter 11 as a financially stable going concern.

RELIEF REQUESTED

9. By this Application, the Debtors seek to retain Rothschild to perform the necessary services described hereinafter as the Debtors' investment banker and financial advisor in these Chapter 11 Cases, effective as of the Petition Date. The terms of Rothschild's proposed retention are set forth in an engagement letter dated as of October 13, 2008 (the "Engagement Letter"), a copy of which is attached as Exhibit 1 to the Augustine Affidavit.

BASIS FOR RELIEF

10. Pursuant to section 327 of the Bankruptcy Code, a debtor in possession may employ one or more

professionals that do not hold or represent an interest adverse to the estate and that are disinterested persons to assist it in carrying out its duties under the Bankruptcy Code. See 11 U.S.C. § 327. Further, under section 328 of the Bankruptcy Code, a professional may be employed "on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed percentage fee basis, or on a contingent fee basis." 11 U.S.C. § 328(a).

11. Bankruptcy Rule 2014 requires that an application for retention of a professional person include:

[S]pecific facts showing the necessity for the employment, the name of the person to be employed, the reasons for the selection, the professional services to be rendered, any proposed arrangement for compensation, and to the best of the applicant's knowledge, all of the person's connections with the debtor, creditors, any other party in interest, their respective attorneys and accountants, the United States trustee, or any person employed in the office of the United States trustee.

Fed. R. Bankr. P. 2014(a). For the reasons set forth below, the Debtors submit that their proposed retention of Rothschild satisfies these standards.

QUALIFICATIONS

12. Rothschild is a member of one of the world's leading independent investment banking groups, with expertise in domestic and cross-border restructurings, mergers and acquisitions and other investment banking services and with particular experience in providing high-quality investment banking services to financially troubled companies. Rothschild is highly qualified to advise on strategic alternatives and its professionals have extensive experience in deals involving complex financial and operational restructurings.

13. As an active bankruptcy and restructuring advisor with significant experience in a variety of industries, Rothschild is well qualified to serve as investment banker and financial advisor to the Debtors. Rothschild specializes in assisting and advising debtors, creditors, creditor's committees, shareholders, bondholders and other parties involved with financially

distressed companies, both during and outside of bankruptcy cases, and has served as financial and strategic advisors for debtors, creditors, and other constituents in numerous chapter 11 cases. See, e.g., Atlantic Express Transportation Group, Barney's, Inc., Bedford Fair Industries, BHM Technologies, LLC, Bradlees', Inc., Cadence Innovation, LLC, Comdisco, Inc., Crown Vantage, Inc., Delphi Corporation, Edison Brothers Stores, Inc., Friedman's, Inc., Geneva Steel Company, Globe Manufacturing, Guilford Mills, Inc., Heartland Steel, HomePlace, Inc., Hilex Poly Co. LLC, International Wire Group, James River Coal Company, Key Plastics LLC, La Roche Industries, Inc., Leiner Health Products, Inc., Motor Coach Industries, Inc., Mpower Holdings Corp., New World Pasta Company, Northwest Airlines, Inc., Oxford Automotive, Inc., Pacific Gas & Electric Company, Remy Worldwide Holdings, Inc., Service Merchandise Corp., Special Metals Corporation, Solutia, Inc., Superior Telecom Inc., The FINOVA Group Inc., Thermadyne Holdings Corp., Thorn Apple Valley, Inc., Trans World Airlines, Today's Man, Inc., UAL Corporation, Viasystems Group, Inc., WestPoint Stevens, Inc., Werner

Holding Co. (DE), Inc., Wilcox & Gibbs, Inc. and Zenith Electronics, Inc.

14. In light of the size and complexity of these Chapter 11 Cases, the Debtors require the service of a seasoned and experienced investment banker and financial advisor, and one that is familiar with (i) the Debtors' businesses and operations and (ii) the chapter 11 process. Additionally, the Debtors believe that by having an investment banker and financial advisor provide these services in these bankruptcy cases, other professionals in these cases - and company officers who might otherwise handle complex financial and financing matters - will be able to focus better on their respective competencies and their core tasks and efficiently and effectively manage the Debtors' business and operations and to facilitate a successful chapter 11 process. Rothschild is well qualified to provide the services being sought by the Debtors, and the employment of Rothschild under the terms contained in the Engagement Letter will greatly contribute to the Debtors' reorganization efforts.

15. Rothschild has provided prepetition services to the Debtors, including providing investment banking services. As a result of its continuing involvement with the Debtors, Rothschild has developed a reserve of institutional knowledge related to, and an intimate understanding of the Debtors' business operations, capital structure, financing documents and other material information. The Debtors believe that Rothschild is well qualified to provide its services to the Debtors in a cost effective, efficient and timely manner. Rothschild has indicated a willingness to provide services to the Debtors subject to the terms of the Engagement Letter and subject itself to the jurisdiction and supervision of the Court.

16. In light of the foregoing, Rothschild has the necessary background and experience to deal effectively with the potential issues and problems that may arise in the context of these Chapter 11 Cases and is thus well qualified to assist the Debtors.

SERVICES TO BE PROVIDED

17. As more fully set forth in the Engagement Letter, the Debtors anticipate that Rothschild will

perform the following services to the extent Rothschild deems necessary, appropriate and feasible and as requested by the Debtors:

- (a) review and analyze the Debtors' assets and the operating and financial strategies of the Debtors;
- (b) review and analyze the business plans and financial projections prepared by the Debtors including, but not limited to, testing assumptions and comparing those assumptions to historical Company and industry trends;
- (c) evaluate the Company's debt capacity in light of projected cash flows and assist in the determination of an appropriate capital structure for the Debtors;
- (d) identify and/or initiate potential Transactions²;
- (e) develop a list of potential buyers for the Company or any portion thereof and contact such potential buyers regarding their interest in pursuing a M&A Transaction;
- (f) develop a list of potential Plan sponsors for the Debtors and contact such potential Plan sponsors regarding their interest in pursuing a Recapitalization Transaction;
- (g) advise the Debtors on the risks and benefits of considering a Transaction with respect to the Debtors' intermediate and long-term business prospects and strategic alternatives to maximize the business enterprise value of the Debtors;
- (h) review and analyze any proposals the Company receives from third parties in

² Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Engagement Letter.

connection with a Transaction or other transaction, including, without limitation, any proposals for DIP financing, as appropriate;

- (i) assist in soliciting DIP and/or exit financing;
- (j) assist or participate in negotiations with the parties in interest, including, without limitation, any current or prospective creditors of, holders of equity in, or claimants against the Debtors and/or their respective representatives in connection with a Transaction;
- (k) advise the Debtors with respect to, and attend meetings of, the Debtors' Board of Directors, creditor groups, official constituencies and other interested parties, as necessary;
- (l) if requested by the Debtors, participate in hearings before the Bankruptcy Court and provide relevant testimony with respect to the matters described in the Engagement Letter and issues arising in connection with any proposed Plan; and
- (m) render such other financial advisory and investment banking services as may be agreed upon by Rothschild and the Debtors.

COMPENSATION

18. Rothschild's decision to accept this engagement to advise and assist the Debtors is contingent upon its ability to be retained in accordance with its customary terms and conditions of employment

and compensated for its services in accordance with the Engagement Letter.³

19. The Engagement Letter's overall compensation structure is comparable to compensation generally charged by investment bankers and financial advisors of similar stature for comparable engagements, both in and out of court and reflects a balance between a fixed fee, monthly fee and fees contingent on the consummation and closing of the transactions contemplated by the engagement letter.

20. As compensation for the services rendered pursuant to the Engagement Letter, the Debtors have agreed to pay Rothschild the following fees (the "Fee Structure") in cash, which are presented here in summary form:

- (a) A retainer (the "Retainer") of \$200,000, payable upon the execution of this Agreement, to be applied against the fees and expenses of Rothschild under this Agreement;
- (b) a cash advisory fee (the "Monthly Fee") of \$200,000 per month;

³ Please refer to the Engagement Letter for a complete recitation of the terms thereof, including the compensation structure. To the extent this summary contradicts the terms of the Engagement Letter, the Engagement Letter shall govern.

- (c) a new capital fee (the "New Capital Fee") equal to the following percentages of the gross cash proceeds of any new capital raised: 1.0% for all senior and junior secured debt issued, including any senior and junior DIP financing and 3.0% for any senior or subordinated unsecured debt, equity capital or hybrid capital raised (each, a "New Capital Raise"); notwithstanding the above, a New Capital Fee shall not be earned with respect to any DIP financing where Bank of America has acted as lead agent or exit financing solely provided by the Company's DIP lenders, except in the case where one or more of such lenders provides an incremental commitment above the then existing DIP commitment in which case such incremental amount shall be subject to a New Capital Fee;
- (d) a recapitalization fee (the "Recapitalization Fee") of \$5,000,000, payable in cash upon the earlier of (i) the confirmation and effectiveness of a Plan or (ii) the substantial consummation of another Recapitalization Transaction;
- (e) a M&A fee (the "M&A Fee") equal to the greater of \$5.0 million or 1.0% of Aggregate Consideration received in connection with such M&A Transaction, which fee shall be payable at the closing of any M&A Transaction, provided, that in no event shall the M&A Fee (excluding any InterTAN M&A Fee (as defined below)), exceed \$8.0 million (notwithstanding the foregoing, in the event that the Company consummates a M&A Transaction solely involving InterTAN, the M&A Fee payable at closing to Rothschild in connection with such M&A Transaction shall equal the greater of \$1.5 million or 1.0% of the Aggregate Consideration) received in

connection with such M&A Transaction (the "InterTAN M&A Fee");

- (f) a liquidation fee ("Liquidation Fee") in the event the Company pursues a Liquidation equal to \$2.0 million less any Monthly Fees and New Capital Fees paid;
- (g) notwithstanding the forgoing, total fees (excluding the InterTAN M&A Fee) paid to Rothschild by the Debtors shall not be less than \$2.0 million or exceed \$9.0 million; and
- (h) Rothschild shall credit (a) 50% of any Monthly Fees in excess of \$600,000 against the Recapitalization Fee or M&A Fee (other than the InterTAN M&A Fee) and (b) 50% of any New Capital Fees against the Recapitalization Fee or M&A Fee (other than the InterTAN M&A Fee).

21. The fee and expense structure

appropriately reflects the nature of the services to be provided by Rothschild and is consistent with the fee structures typically utilized by leading investment banks that do not bill their clients on an hourly basis. Similar monthly fee and transaction fee arrangements have been approved and implemented in other large chapter 11 cases in this Eastern District of Virginia and elsewhere. See, e.g., In re Movie Gallery, Inc., Case No. 07-33849 (DOT) (Bankr. E.D. Va. Oct. 18, 2007); In re The Rowe Cos., Case No. 06-11142 (DOT) (Bankr. E.D. Va. Oct. 17, 2006); see also In re Global

Power Equip. Group Inc., Case No. 06-11045 (BLS) (Bankr. D. Del. Dec. 18, 2006); In re Dura Auto. Sys., Inc., Case No. 06-11202 (KJC) (Bankr. D. Del. Dec. 7, 2006); In re Radnor Holdings Corp., Case No. 06-10894 (PJW) (Bankr. D. Del. Dec. 19, 2006); In re Global Home Prods. LLC, Case No. 06-10340 (KG) (Bankr. D. Del. May 5, 2006).

22. The Debtors agree that the fee arrangements in the Engagement Letter are reasonable under the standards set forth in section 328(a) of the Bankruptcy Code, given (i) the numerous issues Rothschild may be required to address in the performance of its services under the Engagement Letter, (ii) Rothschild's commitment to the variable level of time and effort necessary to address all such issues as they arise and (iii) the market prices for Rothschild's services for engagements of this nature in both out-of-court and chapter 11 contexts.

23. In determining the level of compensation to be paid to Rothschild and its reasonableness, the Debtors compared Rothschild's proposed fees with the range of investment banking and financial advisory fees in other complex chapter 11 cases and M&A transactions.

In both instances, the Debtors found Rothschild's proposed fees to be reasonable. Accordingly, Rothschild's engagement is appropriate under section 328(a) of the Bankruptcy Code and Rothschild should be subject to review only pursuant to the standards set forth in section 328(a) of the Bankruptcy Code and not subject to the standard of review set forth in section 330 of the Bankruptcy Code.

24. Rothschild will not share or agree to share any compensation to be paid by the Debtors, in connection with services to be performed after the Petition Date, with any other person, other than other principals and employees of Rothschild, in accordance with section 504 of the Bankruptcy Code.

25. The Debtors respectfully submit that the employment of Rothschild is in the best interests of the Debtors, their creditors and their estates.

INDEMNITY

26. As set forth in the Engagement Letter and Exhibit A attached thereto and subject to the terms and conditions therein, the Debtors agreed to indemnify Rothschild and certain related parties from losses

directly or indirectly in connection with, arising out of, based upon, or related to the engagement of Rothschild under the Engagement Letter. The Debtors believe the indemnity provision is a reasonable term and condition of Rothschild's engagement. Unlike the market for other professionals that the Debtors may retain, indemnification is a standard term of the market for financial advisors and investment bankers. Rothschild and the Debtors believe that the indemnity provisions are comparable to those generally obtained by investment banking and financial advisory firms of similar stature to Rothschild and for comparable engagements, both in and out of court.

DISINTERESTEDNESS

27. To the best of the Debtors' knowledge, as evidenced by the Augustine Affidavit, (i) Rothschild is a "disinterested person" under section 101(14) of the Bankruptcy Code, as required by section 327(a) of the Bankruptcy Code, and (ii) Rothschild neither holds nor represents any interest adverse to the Debtors or their respective estates in the matters for which it is proposed to be retained.

28. The Debtors' knowledge, information and belief regarding the matters set forth herein are based upon, and made in reliance on, the Augustine Affidavit. To the extent that any additional facts bearing on the matters described herein are discovered during the period of Rothschild's retention, the Debtors understand that Rothschild will supplement the information contained in the Declaration.

NOTICE

29. Notice of this Application has been provided to those parties entitled to notice under this Court's Order Pursuant to Bankruptcy Code Sections 102 and 105, Bankruptcy Rules 2002 and 9007, and Local Bankruptcy Rules 2002-1 and 9013-1 Establishing Certain Notice, Case Management, and Administrative Procedures (Docket No. 136). The Debtors submit that, under the circumstances, no other or further notice need be given.

WAIVER OF MEMORANDUM OF LAW

30. Pursuant to Local Bankruptcy Rule 9013-1(G), and because there are no novel issues of law presented in the Motion and all applicable authority is set forth in the Motion, the Debtors request that the

requirement that all motions be accompanied by a separate memorandum of law be waived.

NO PRIOR REQUEST

31. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an Order, substantially in the form attached hereto, authorizing the Debtors to employ and retain Rothschild as investment banker and financial advisor for the Debtors for the purposes set forth above, effective as of the Petition Date hereof, and grant such further relief as is just and proper.

Dated: Richmond, Virginia
 November 18, 2008

CIRCUIT CITY STORES, INC.

/s/ Bruce H. Besanko
Bruce H. Besanko
Executive Vice President and Chief
Financial Officer

Dated: November 18, 2008

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Proposed Counsel for Debtors and
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EXHIBIT A

Augustine Affidavit

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM, LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

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Proposed Counsel to the Debtors
and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

----- x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
:
----- x

**AFFIDAVIT IN SUPPORT OF THE DEBTORS' APPLICATION
FOR AN ORDER AUTHORIZING EMPLOYMENT AND
RETENTION OF ROTHSCHILD INC. AS INVESTMENT BANKER AND
FINANCIAL ADVISOR FOR THE DEBTORS**

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

I, Neil Augustine, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. I am a managing director at the investment banking firm of Rothschild Inc. ("Rothschild"), which maintains its principal offices at 1251 Avenue of the Americas, 51st floor, New York, New York 10020. I am authorized to execute this Affidavit (the "Affidavit") on behalf of Rothschild. Unless otherwise stated in this Declaration, I have personal knowledge of the facts set forth herein.¹

2. I submit this Affidavit in support of the Application for Order under Bankruptcy Code Sections 105(a), 327(a), 328 and 1107 and Bankruptcy Rule 2014(a), Authorizing the Employment and Retention of Rothschild Inc. as Investment Banker and Financial Advisors to the Debtors Effective as of the Petition Date (the "Application").² I submit this Declaration in compliance

¹ Certain of the disclosures herein relate to matters within the knowledge of other professionals at Rothschild and are based on information provided by them.

² Any capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Application.

with sections 105, 327, 328 and 1107(a) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") and to provide the disclosure required under Rule 2014(a), 2016 and 5002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the "Local Rules").

3. To the extent that any information disclosed herein requires amendment or modification upon Rothschild's completion of further analysis or as additional information becomes available to Rothschild, I intend to submit, or cause to be submitted, a supplemental Declaration to the Court reflecting the same.

ROTHSCHILD'S QUALIFICATIONS

4. Rothschild is a member of one of the world's leading independent investment banking groups, with expertise in domestic and cross-border restructurings, mergers and acquisitions and other investment banking services and with particular

experience in providing high-quality investment banking services to financially troubled companies. Rothschild is highly qualified to advise on strategic alternatives and its professionals have extensive experience in deals involving complex financial and operational restructurings.

5. In particular, Rothschild and its professionals have extensive experience working with financially troubled companies from a variety of industries in complex financial restructurings, both out of court and in chapter 11 cases. Rothschild's business reorganization professionals have served as financial and strategic advisors for debtors, creditors, and other constituents in numerous chapter 11 cases, including, among others, Atlantic Express Transportation Group, Barney's, Inc., Bedford Fair Industries, BHM Technologies, LLC, Bradlees', Inc., Cadence Innovation, LLC, Comdisco, Inc., Crown Vantage, Inc., Delphi Corporation, Edison Brothers Stores, Inc., Friedman's, Inc., Geneva Steel Company, Globe Manufacturing, Guilford Mills, Inc., Heartland Steel, HomePlace, Inc., Hilex Poly Co. LLC, International Wire Group, James

River Coal Company, Key Plastics LLC, La Roche Industries, Inc., Leiner Health Products, Inc., Motor Coach Industries, Inc., Mpowers Holdings Corp., New World Pasta Company, Northwest Airlines, Inc., Oxford Automotive, Inc., Pacific Gas & Electric Company, Remy Worldwide Holdings, Inc., Service Merchandise Corp., Special Metals Corporation, Solutia, Inc., Superior Telecom Inc., The FINOVA Group Inc., Thermadyne Holdings Corp., Thorn Apple Valley, Inc., Trans World Airlines, Today's Man, Inc., UAL Corporation, Viasystems Group, Inc., WestPoint Stevens, Inc., Werner Holding Co. (DE), Inc., Wilcox & Gibbs, Inc. and Zenith Electronics, Inc.

6. As a result of the prepetition engagement of Rothschild by the Debtors, Rothschild has developed a reserve of institutional knowledge related to the Debtors, and an intimate understanding of, the Debtors' business operations, capital structure, financing documents and other material information, and is able to assist the Debtors in their reorganization efforts. I believe that Rothschild and the professionals it employs are uniquely qualified to advise the Debtors in the matters for which Rothschild is proposed to be employed.

DISINTERESTEDNESS

7. In connection with the preparation of this Declaration, Rothschild reviewed the list of potential parties in interest that Rothschild received from the Debtors (the "Parties in Interest"), a copy of which is attached hereto as Exhibit 2.

8. To the best of my knowledge and belief, Rothschild has not represented any of the Parties in Interest in connection with matters relating to the Debtors, their estates, assets or businesses and will not represent other entities which are creditors of, or have other relationships to, the Debtors in matters relating to the Debtors, their estates, assets or businesses, except as otherwise set forth herein and on Exhibit 3 hereto.

9. Rothschild provides financial advice and investment banking services to an array of clients in the areas of restructuring and distressed debt. As a result, Rothschild has represented, and may in the future represent, certain Parties in Interest in matters unrelated to these Chapter 11 Cases, either individually

or as part of representation of a committee of creditors or interest holders.

10. To the best of my knowledge and belief, neither Rothschild nor I, nor any other employee of Rothschild that will work on the Debtors' engagement has any connection with or holds any interest adverse to the Debtors, their estates or the Parties in Interest in the matters on which Rothschild is proposed to be retained, except (i) as set forth in Exhibit 3 and (ii) as otherwise set forth below:

- (a) Before the commencement of these cases, Rothschild rendered prepetition services to the Debtors. As noted above, although Rothschild's records indicate that it is not owed any amounts in respect of prepetition services provided to the Debtors, it is possible that certain expenses that were incurred by Rothschild, and that are reimbursable under the terms of the Engagement Letter (attached hereto as Exhibit 1), were not yet reflected on Rothschild's books and records as of the Petition Date to the extent such amounts are not covered by amounts paid to Rothschild for estimated expenses. Upon entry of the Order approving the Application, Rothschild will waive any claim for such unreimbursed expenses in excess of amounts paid to Rothschild pre-petition. Any surplus amounts paid to Rothschild for estimated expenses will be applied to post-petition expenses.

- (b) Rothschild is a large investment banking firm and has likely provided services unrelated to the Debtors for companies and individuals that have conducted business in the past and/or currently conduct business with the Debtors, and who may be creditors of the Debtors. To the best of my knowledge, information and belief, Rothschild's services to these parties were and are wholly unrelated to the Debtors, their estates or these Chapter 11 Cases.
- (c) As part of its practice, Rothschild appears in numerous cases, proceedings, and transactions involving many different professionals, some of which may represent claimants and parties in interest in the Debtors' Chapter 11 Cases. Furthermore, Rothschild has in the past and will likely in the future be working with or against other professionals involved in these cases in matters unrelated to these cases. Based on my current knowledge of the professionals involved, and to the best of my knowledge and information, none of these business relationships represents an interest materially adverse to the Debtors herein in matters upon which Rothschild is to be engaged.
- (d) Rothschild, through the equity owners of its parent company, Rothschild North America Inc., has indirect affiliate relationships with numerous investment banking institutions located worldwide (the "Affiliated Entities"). However, none of the Affiliated Entities is being retained in connection with this engagement and none of the professionals or employees of the Affiliated Entities will provide services to the Debtor in connection with this engagement. None of the professionals or employees of

Rothschild has discussed or will discuss the Debtors' cases with any professional or employee of the Affiliated Entities. Thus, there has not been and will not be any flow of information between Rothschild and any Affiliated Entity with respect to any matter pertaining to the Debtors or their Chapter 11 Cases. Rothschild can make no representation as to the disinterestedness of the professionals or employees of the Affiliated Entities in respect of the Debtors' Chapter 11 Cases.

11. To the best of my knowledge, no individual assignment referenced on Exhibit 3 currently accounts for more than 4% of Rothschild's gross annual revenues.

12. To the best of my knowledge, information, and belief, Rothschild has not been retained to assist any entity or person other than the Debtors on matters relating to these Chapter 11 Cases. If the Court approves Rothschild's retention, Rothschild will not accept any engagement or perform any service for any entity or person other than the Debtors in these Chapter 11 Cases. Rothschild will, however, continue to provide professional services to entities or persons that may be creditors or equity security holders of the Debtors or Parties in Interest in these chapter 11 cases; provided

that such services do not relate to, or have any direct connection with, these Chapter 11 Cases or the Debtors.

13. If any new relevant facts or relationships are discovered or arise during the pendency of these Chapter 11 Cases, Rothschild will use reasonable efforts to identify such further developments and will promptly file a supplemental Declaration as required by Bankruptcy Rule 2014.

14. I am not related or connected to and, to the best of my knowledge, no other professional of Rothschild who will work on this engagement is related or connected to, any United States Bankruptcy Judge for the Eastern District of Virginia, any of the District Judges for the Eastern District of Virginia who handle bankruptcy cases or any employee in the Office of the United States Trustee for the Eastern District of Virginia.

15. Accordingly, except as otherwise set forth herein, insofar as I have been able to determine, none of Rothschild, I, nor any employee of Rothschild who will work on the engagement holds or represents any interest adverse to the Debtors or their estates, and

Rothschild is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, in that Rothschild, and its professionals and employees who will work on the engagement:

- (a) are not creditors, equity security holders, or insiders of the Debtors;
- (b) were not, within two years before the date of filing of the Debtors' chapter 11 petitions, a director, officer, or employee of the Debtors; and
- (c) do not have an interest materially adverse to the interest of the Debtors' estates or any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with or interest in the Debtors, or for any other reason.

REASONABLENESS OF COMPENSATION

16. The Debtors and Rothschild have acknowledged that (i) the hours worked, (ii) the results achieved and (iii) the ultimate benefit to the Debtors of the work performed in connection with the services provided under the Engagement Letter may be variable. The Debtors and Rothschild have taken such factors into

account in setting the Fee Structure set forth in the Engagement Letter.

17. The Fee Structure described in the Application and Engagement Letter is consistent with Rothschild's normal and customary billing practices for comparably-sized and complex cases and transactions, both in and out of court, involving the services to be provided in connection with these Chapter 11 Cases. The Fee Structure was established to reflect the difficulty of the assignments Rothschild expects to undertake.

18. Rothschild will file interim and final fee applications for the allowance of compensation for services rendered and reimbursement of expenses incurred in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any applicable orders of the Court.

19. As more fully described in the Engagement Letter, if the Application is granted, the Debtors will indemnify and hold Rothschild harmless against liabilities arising out of or in connection with its retention by the Debtors except for any such liability for losses, claims, damages or liabilities incurred by

the Debtors that are finally judicially determined by a court of competent jurisdiction to have resulted primarily from the gross negligence, willful misconduct, bad faith or fraud of Rothschild.

20. Prior to the Petition Date, Rothschild received a total of \$597,580.64 from the Debtors, including \$200,000.00 on account of the Retainer, \$322,580.64 from the Debtors on account the Monthly Fees, and \$75,000.00 for prepayment of certain estimated expenses. Rothschild will hold any amounts received prepetition in excess of fees and expenses that accrued prepetition, including the Retainer, and apply such excess amounts towards fees and expenses that accrue postpetition.

21. To the best of my knowledge, Rothschild has no agreement with any other entity to share with such entity any compensation received by Rothschild in connection with the Debtors' bankruptcy cases.

FURTHER AFFIANT SAYETH NOT.

/s/

Neil Augustine
Managing Director

Subscribed and sworn to
before me this [__] day of
November 2008.

Notary Public

FURTHER AFFIANT SAYETH NOT.



Neil Augustine
Managing Director

Subscribed and sworn to
before me this 14th day of
November 2008.



Donna Grasso Shandley
Notary Public

DONNA GRASSO SHANLEY
Notary Public, State Of New York
No.01GR6058322
Qualified In Westchester County
Commission Expires May 7, 2011

Exhibit 1
Engagement Letter

EXHIBIT 2

Parties-in-Interest

EXHIBIT 3

Parties-in-Interest Noted for Court Disclosure

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM, LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

- and -

Chris L. Dickerson, Esq.
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM, LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Proposed Counsel to the Debtors
and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

----- x
In re: : Chapter 11
: :
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., : :
: :
Debtors. : Jointly Administered
: :
----- x

**ORDER UNDER BANKRUPTCY CODE SECTIONS 105(a), 327(a), 328
AND 1107 AND BANKRUPTCY RULE 2014(a), AUTHORIZING THE
EMPLOYMENT AND RETENTION OF ROTHSCHILD INC. AS
INVESTMENT BANKER AND FINANCIAL ADVISOR TO THE DEBTORS
EFFECTIVE AS OF THE PETITION DATE**

Upon the Application for Order under Bankruptcy
Code Sections 105(a), 327(a), 328 and 1107 and
Bankruptcy Rule 2014(a), Authorizing the Employment and
Retention of Rothschild Inc. ("Rothschild") as

Investment Banker and Financial Advisors to the Debtors effective as of the Petition Date (the "Application")¹; and upon consideration of the Application and all pleadings related thereto, including the Augustine Affidavit; and it appearing that notice of the Application was due and proper under the circumstances; and it further appearing that Rothschild neither holds nor represents any interest adverse to the Debtors or their estates; and it further appearing that Rothschild is a "disinterested person," as that term is defined in Section 101(14) of the Bankruptcy Code; and it further appearing that the relief requested in the Application is in the best interests of the Debtors, their estates and creditors; and after due deliberation, and good and sufficient cause appearing therefore, it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Application is GRANTED.

2. The retention and employment of

Rothschild as investment banker and financial advisor to the Debtors pursuant to sections 327(a) and 328(a) of

¹ Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Application.

the Bankruptcy Code on the terms set forth in the Engagement Letter effective as of the Petition Date.

3. Rothschild shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code and any applicable Bankruptcy Rules and Local Rules, and such procedures as may be fixed by order of this Court; provided that the fee applications filed by Rothschild shall be subject to review only pursuant to the standards set forth in section 328(a) of the Bankruptcy Code and not subject to the standard of review set forth in section 330 of the Bankruptcy Code.

4. In addition to compensation for professional services rendered by Rothschild, pursuant to the terms of the Engagement Letter, Rothschild is entitled to reimbursement by the Debtors for reasonable expenses incurred in connection with the performance of its engagement under the Engagement Letter, including, without limitation, the fees, disbursements and other charges of Rothschild's counsel (which counsel shall not be required to be retained pursuant to section 327 of the Bankruptcy Code or otherwise).

5. The indemnification provisions included in the Engagement Letter, including Exhibit A thereto, are approved.

6. In the event that Rothschild seeks reimbursement for attorneys' fees from the Debtors pursuant to the indemnification provisions of the Engagement Letter, the invoices and supporting time records from such attorneys shall be included in Rothschild's subsequent reimbursement applications (both interim and final), without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code.

7. To the extent this Order is inconsistent with any prior order or pleading with respect to the Application in these cases or the Engagement Letter, the terms of this Order shall govern.

8. The relief granted herein shall be binding upon any chapter 11 trustee appointed in these chapter 11 cases, or upon any chapter 7 trustee appointed in the event of a subsequent conversion of these chapter 11 cases to cases under chapter 7.

9. Notwithstanding any provision to the contrary in the Application or the Engagement Letter the Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

Dated: Richmond, Virginia
[__], 2008

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

- and -

Chris L. Dickerson, Esq.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

- and -

/s/ Douglas M. Foley
Dion W. Hayes (VSB No. 34304)
Douglas M. Foley (VSB No. 34364)
MCGUIREWOODS LLP
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

Proposed Counsel to the Debtors
and Debtors in Possession

LOCAL BANKRUPTCY RULE 9022-1(C) CERTIFICATION

Pursuant to Local Bankruptcy Rule 9022-1(C), I
hereby certify that the foregoing proposed order has
been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley
Douglas M. Foley